BRITISH COLUMBIA | BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue: 12-29* *July 20, 2012*

- **Inflation rate increases to 1.5% in June**
- **Manufacturing shipments rise 1.0% in May**
- **Non-residential building construction in BC climbs 1.6% in second quarter**

Prices

- **BC's year-over-year inflation rate was 1.5% in June.** Heightened energy prices (+3.5%), contributed to the rise; excluding energy, the inflation rate was 1.2%

Food prices advanced 2.0%, the lowest rate of increase since August 2010. A mild rise in the price of food purchased from stores (+1.7%), and a moderate increase in the price of food purchased from restaurants (+2.2%) explain the increase. Meat (+4.4%), fresh fruit (+8.9%), and coffee & tea (+3.9%) prices soared. However, the cost of fresh vegetables (-7.0%) fell for the fourth consecutive month, offsetting part of the upward pressure.

Shelter prices (-0.3%) dipped for the first time since March 2010, due to declines in the cost of owned accommodation (-1.6%) and piped gas (-6.7%). The cost of household operations & furnishings rose 2.7%, as pressure mounted on prices in most categories. After four months of decline, the price of household furnishings reversed direction, climbing 2.4%, while the cost of household operations (+2.8%) continued to rise.

Clothing and footwear costs jumped 5.1% in June, due to higher clothing prices (+3.5%), as footwear (+0.9%) prices rose only slightly. Women's (+8.0%) and children's (+7.3%) clothing prices increased sharply; conversely, men's clothing (-3.8%) prices fell for the third time in 2012.

Transportation costs rose 3.0% in June, driven by upward pressure on gasoline (+2.6%) prices. The cost of public transportation (+1.8%) edged up slightly, relative to recent increases, as pressure on intercity transportation (+2.0%) prices calmed.

After two months of decline, health & personal care (+0.6%) costs rose in June, largely due to an escalation in personal care supplies & equipment (+3.0%) prices, as medicinal and pharmaceutical (-2.6%) prices fell for the twelfth straight month.

Recreation, education & reading (+0.3%) prices inched up, as a result of higher costs of education (+1.7%), tuition (+2.3%), and reading materials (+2.1%).

Data Source: Statistics Canada

- **Canadian prices climbed 1.5%, placing BC in line with the national average.** On the provincial level, Ontario (+1.2%) had the lowest rate of inflation, while Newfoundland (+2.2%) had the most pronounced rise in price levels. In British Columbia, Vancouver (+1.7%) and Victoria (1.4%) inflation rates remained on opposing sides of the provincial average in June. *Data Source: Statistics Canada*

The Economy

- **Manufacturing shipments in BC climbed 1.0% (*seasonally adjusted*) in May, partially reversing the decline recorded in April (-1.3%).** Strong sales in the durable goods sector (+2.6%) were behind the increase, as manufacturers of wood products (+6.4%), non-metallic minerals (+4.2%), primary metals (+0.5%), computers & electronics (+2.4%), and transportation equipment (+6.6%) recorded growth. Sales dipped in machinery

Report **Canada and the Trans-Pacific Partnership**

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Data Source: Ipsos Canada

(–2.2%) and furniture (–3.7%) manufacturing. Non-durable shipments (–0.8%) fell in May, due to a substantial drop in paper manufacturing (–7.9%), and a minor dip in printing (–0.6%). Shipments of food (+1.4%) and beverages & tobacco (+0.4%) were up, recovering only partially from declines in April.

Nationally, manufacturing (–0.4%) fell in May, as activity contracted in Alberta (–2.6%), Saskatchewan (–0.4%), Manitoba (–1.2%), and Ontario (–1.9%). Quebec (+2.2%) and the four eastern provinces, all recorded growth. *Data Source: Statistics Canada*

- **Wholesale sales in British Columbia rose 1.6% (*seasonally adjusted*) in May.** The increase marks the second month of growth in the sector, propelled by sales in food, beverage & tobacco products, building materials, and machinery.

  At the national level, wholesale sales were up 0.9%. Across the provinces, sales increased steadily, with Prince Edward Island and Manitoba as the only provinces recording declines. *Data Source: BC Stats & Statistics Canada*

- **The number of BC residents receiving regular Employment Insurance (E.I.) payments totalled 55,950 (*seasonally adjusted*) in May, a 0.3% dip from April.** The number of beneficiaries has plummeted 14.0% since the same month in 2011.

  Nationally, the number of E.I. beneficiaries edged up (+0.7%), with five provinces recording increases. Since May of 2011, the number of beneficiaries has fallen 10.8%, with declines recorded in every province.

  Data Source: Statistics Canada

Tourism

- **Visitor entries to BC dropped (–0.8%) in May, due to reduced visitor traffic from the United States (–1.8%).** Overnight visitor entries were down (–3.7%), while same-day visits rose (+1.4%). Overseas entries picked up in May (+2.6%), following three consecutive months of decline. Entries from Asia (+4.8%) and Europe (+2.1%) both contributed to the rise, while entries from other major regions fell 0.9%.

  Visitor entries dropped in every province except Newfoundland (+17.2%) in May. Nationally, visitor entries fell 0.6%, wiping out the recovery recorded in April (+0.6%).

  Data Source: Statistics Canada

Second Quarter in Review

- **Investment in non-residential building construction in BC grew 1.6% (*seasonally adjusted, 2002 constant dollars*) in the second quarter of 2012.** Commercial non-residential construction (+1.4%) saw its most rapid growth since 2010, though compared to the same period in 2011, investment has fallen 1.9%. Activity in the industrial building sector (+21.1%) was on the rise; the sector has expanded consistently since the second quarter of 2010, and has surged 28.8% over the past year. Institutional construction fell (–4.1%) for the fourth consecutive quarter, dipping to levels not seen since 2008.

  Investment in the second quarter was robust in Vancouver (+3.7%), after three consecutive quarters of decline. Non-residential construction investment activity continued to fall in Victoria (–7.9%) and Kelowna (–16.5%), and declined for the first time since 2010 in Abbotsford-Mission (–7.1%).

  Nationally, expenditures grew 1.6% in the second quarter, a turnaround after five quarters of flagging investment. Heightened construction activity in Quebec (+3.5%), Ontario (+2.2%), Alberta (+1.1%), and BC (+1.6%) drove the increase. *Data Source: Statistics Canada*

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

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Canada and the Trans-Pacific Partnership

Despite initial hesitation from some members, Canada has secured an invitation to be included in the negotiations for a Trans-Pacific Partnership (TPP) trade agreement. The TPP has the potential to be one of the most far-reaching trade deals ever negotiated, both in terms of content and size. Originally developed as an agreement among Brunei Darussalam, Chile, New Zealand and Singapore, the TPP expanded to include Australia, Malaysia, Peru, the United States and Vietnam. Mexico and Canada have now been invited to join the talks and Japan has expressed interest as well.

Given the inclusion of North American Free Trade Agreement (NAFTA) members Mexico and the United States, as well as the potential inclusion of Japan and the possibility of future expansion to include other economic giants, such as China, it was critically important that Canada was allowed to join the talks. The TPP will likely eclipse NAFTA in terms of scope, such that leaving Canada on the outside looking in could have seriously jeopardized Canada's trade interests.

Ironically, Canada could have secured an invitation to the talks if it had joined the TPP several years ago when initially invited. However, at the time, Canada preferred to put its efforts into pursuing a global agreement through the World Trade Organization and declined the offer. There was also the issue of Canada's supply management systems for dairy, eggs and poultry, which may have to be dismantled if Canada is to be included in the eventual TPP agreement. Canada's federal government is opposed to giving up supply management and insists that it will not have to sacrifice the system, but TPP members New Zealand and Australia – two countries that have already dismantled similar supply management systems – are saying otherwise.

Canada's late entry to the discussions could be costly, as one of the conditions is that new entrants accept everything that has already been agreed upon. In other words, Canada cannot open chapters that have already been concluded and, as a result, will have no input into at least a portion of the agreement. In addition, there is a 90-day waiting period during which neither Canada nor Mexico will be admitted to the formal discussions. It is not clear whether or not the two new entrants will have veto power over any of the material concluded during that three-month period. If not, this could put Canada in a position of having to either accept conditions it finds disagreeable, or bow out of the Partnership. Given the importance of exports to Canada's economy and the fact that its NAFTA partners are involved in the TPP, bowing out may not be an option.

Canada's reluctance to give up supply management could render any disagreement with content in the deal moot, as the other members could vote to exclude Canada from entry. The federal government has indicated that everything is on the table in the negotiations, but that it would continue to defend Canada's interests, including the supply management system.

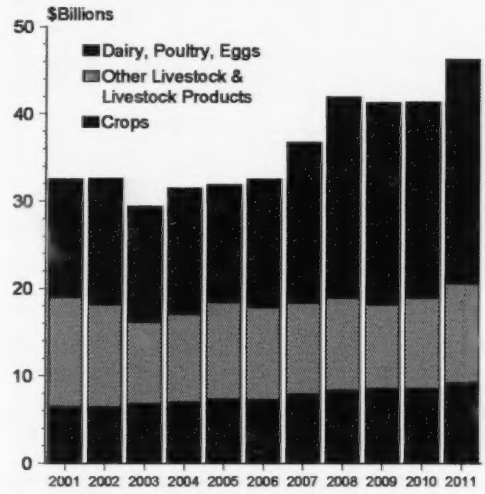
Canada is not the only country with an interest in protecting components of its agriculture sector and, indeed, this is not the first time that agricultural goods have cropped up as a potential roadblock to free trade negotiations. Prior to the TPP, the Doha round of the World

Trade Organization global trade talks fell apart, largely due to conflicting opinions with regard to agricultural subsidies. Similarly, an attempt to develop a Free Trade Area of the Americas was also derailed partly due to disagreements over agricultural products. Canada's negotiations with the European Union for a Canada-EU trade deal are also being hampered by agricultural concerns, particularly the issue of supply management.

It is difficult to reconcile Canada's insistence on defending the supply management system for dairy, eggs and poultry with the potential economic consequences of keeping that system. With the exception of a small group of farmers who profit from near monopoly control over their products and the subsequent higher prices for their goods, the vast majority of Canadians derive little benefit from supply management. Canadians pay inflated prices for supply managed goods, particularly dairy products, and have less variety in products. Producers of products outside the supply management system, including other farmers, are denied tariff-free access to some markets due to inaction on free trade deals as a result of the refusal to abandon supply management. For example, if a free trade pact with the EU is possible with supply management kept intact, Canada will have to make some trade-offs and it is likely that European tariffs on Canadian beef will not be lifted.[1]

Supply managed goods make up a relatively small portion of Canada's overall economy and are even a minority player in Canada's agricultural production. In 2011, only 19% of Canada's total farm cash receipts were derived from the dairy, egg and poultry sectors.[2] Exports from the supply managed sectors comprised about 0.1% of Canada's total exports.

Canada's supply managed sectors are responsible for a relatively small fraction of the nation's farm cash receipts



Source: Statistics Canada

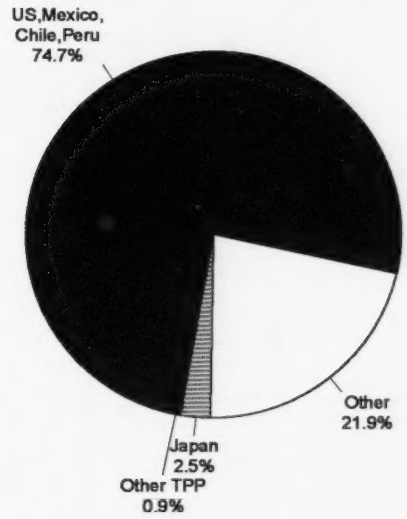
Canada exported over $419 billion worth of goods to international destinations in 2011. Over three-quarters of these exports were destined for countries currently involved in the TPP trade talks. With respect to trade in services, in 2009 (the latest year for which data are available) around 60% of Canada's exports of services were to countries involved in the TPP negotiations (plus Japan).[3]

[1] For a more detailed discussion of the issues surrounding the supply management system, see the August 2008 Exports article, "Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?"

[2] Source: Statistics Canada, CANSIM table 002-0001.

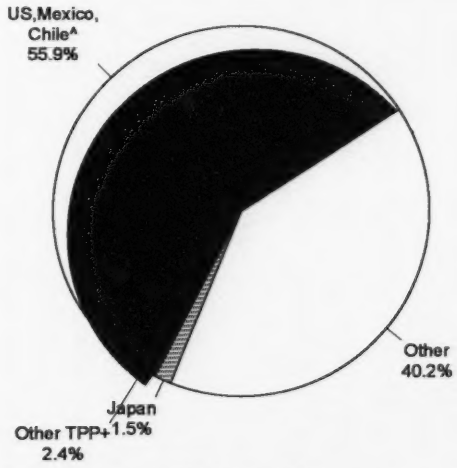
[3] Source: Statistics Canada, CANSIM table 376-0036.

The countries involved in the TPP negotiations were the destination of over three-quarters of Canada's goods exports in 2011



Source: Statistics Canada

The TPP countries were the recipient of around 60% of Canada's service exports in 2009*



*2009 is the latest year for which data are available
^Data for Peru not available separately and is included in "Other"
+Data for Brunei Darussalum not available separately and is included in "Other"

Source: Statistics Canada

For both goods and services, the bulk of Canada's exports to the TPP countries was to those countries with which Canada already has a free trade agreement (United States, Mexico, Chile, Peru). Given that the scope of the TPP could potentially exceed that of Canada's current agreements, if Canada is left out of the deal, the competitive advantage Canada enjoys with respect to trade with those countries could be eroded.

While it is possible that Canada could manage to retain its supply management system and still gain entry to the TPP, it seems somewhat unlikely given the vehemence of Australia and New Zealand's opposition to allowing that kind of protectionist policy to be maintained within the constructs of the TPP. This may be the perfect opportunity to modernize Canada's agricultural sector and move away from supply management. A change in policy of this nature could bring a spate of new opportunities for trade for Canadian exporters.

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BC at a glance . . .

POPULATION (thousands)	Apr 1/2012	% change on one year ago
BC	4,606.5	1.0
Canada	34,755.6	1.1
GDP and INCOME (Released Nov 8)		
(BC - at market prices)	2010	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	203,147	5.9
GDP *($ 2002 millions)*	167,140	3.0
GDP *($ 2002 per Capita) (reflects revised pop)*	36,899	1.4
Personal Disposable Income *($ 2002 per Capita)*	26,166	2.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May 2012	3,172	1.0
Merchandise Exports - May 2012	2,578	-5.8
Retail Sales - Apr 2012	5,145	-0.2
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Jun 2012)	one year ago	% change
BC	1.5	1.8
Vancouver	1.7	1.9
Victoria	1.4	1.7
Canada	1.5	2.4
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Jun 2012	prev. month
Jobs Created (-Lost) - BC	3.6	
Labour Force - BC	2,485.8	-0.7
Employed - BC	2,322.2	0.2
Unemployed - BC	163.6	-11.6
		May 2012
Unemployment Rate - BC *(percent)*	6.6	7.4
Unemployment Rate - Canada *(percent)*	7.2	7.3
INTEREST RATES (percent)	Jul 18/2012	Jul 20/2011
Prime Business Rate	3.00	3.00
Conventional Mortgages - 1 year	3.10	3.50
- 5 year	5.24	5.39
US-CANADA EXCHANGE RATE	Jul 18/2012	Jul 20/2011
(avg. noon spot rate) Cdn $ per US $	1.0112	0.9544
(closing rate) US $ per Cdn $	0.9894	1.0555
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Jun 2012	one year ago
BC	850.70	1.3
Canada	863.37	3.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Solid Waste Generation Forecast

This report highlights three projection scenarios with varying degrees of measures taken to divert waste from British Columbia landfills. The report includes a summary of the methodology and the results of the forecast for each scenario from 2010 through 2025. Read this at:
http://www.bcstats.gov.bc.ca/StatisticsBySubject/EnvironmentalStatistics/Analysis.aspx

Census 2011 Fast Facts

The age-sex data from the 2011 Census have been released. For the first time, since reporting began, persons 65 years of age and older outnumbered 0 to 14 year-olds in BC. See more:
http://www.bcstats.gov.bc.ca/StatisticsBySubject/Census/2011Census.aspx

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https://twitter.com/#!/bcstats

New RSS Feeds From BC Stats

BC Stats has published several new RSS feeds:
http://www.bcstats.gov.bc.ca/Help/RSSFeeds.aspx

The 2011 National Household Survey

Release dates have been set as:

May 8, 2013
- Immigration; Citizenship; Place of birth; Language; Ethnic origin; Visible minorities; Religion; Aboriginal Peoples

June 26, 2013
- Labour; Education; Place of work; Commuting to work; Mobility and migration; Language of work

August 14, 2013
- Income; Earnings; Housing; Shelter costs

http://www12.statcan.gc.ca/nhs-enm/index-eng.cfm

Released this week by BC Stats

- Consumer Price Index
- Employment Insurance

Next week

- Business Indicators

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